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The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, C - 1,
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BSE Scrip Code-523329

NSE Symbol- ELDEHSG

Subject: Transcript of Earnings Conference Call held on Monday, February 12, 2024

Dear Sir/Madam,

This is with reference to the intimation dated February 3, 2024 made by the Company about the Earnings Conference Call scheduled for Monday, February 12, 2024 at 3.30 p.m. IST. A copy of Transcript of the conference call held with the Investors/Analysts is enclosed herewith.

The aforesaid Transcript is also being made available on the Company's website at www.eldecogroup.com

You are requested to take the above information on record.

Thanking you,
For Eldeco Housing and Industries Limited

Chandni Vij
Company Secretary
Mem. No. : A46897

Eldeco Housing & Industries Ltd.



“Eldeco Housing and Industries Limited
Q3 & 9M FY '24 Earnings Conference Call”
February 12, 2024



MANAGEMENT: MR. PANKAJ BAJAJ – CHAIRMAN AND MANAGING DIRECTOR
MR. MANISH JAISWAL – GROUP CHIEF OPERATING OFFICER
MR. SANJAY AGGARWAL – GROUP PRESIDENT, ACCOUNTS AND TAXATION

MODERATOR: MR. ABHISHEK BHATT – E&Y

Moderator: Ladies and gentlemen, good day, and welcome to the Eldeco Housing and Industries Limited Q3 and 9 M FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Bhatt from E&Y Investor Relations. Thank you, and over to you, sir.

Abhishek Bhatt: Thank you. And Good afternoon, everyone, for joining us on the call. Before we proceed to the call, let me remind you that today's discussion may contain forward-looking statements that may involve known and unknown risks, uncertainties, and other factors. It must be viewed in conjunction with the business risks that could cause further future results, performance, or argument to differ significantly from what is expressed and implied by such forward-looking statements.

Please note, the results and presentations are available on the exchanges and our company's website. Should you need any assistance to receive that, you can write to us, and we'll be happy to send them over.

Today, we have on the call senior management of Eldeco Housing and Industries Limited, which is represented by Mr. Pankaj Bajaj, Chairman and Managing Director; Mr. Manish Jaiswal, Group COO, Mr. Sanjay Aggarwal, Group President, Accounts and Taxation. We'll begin with the highlights of the quarter, followed by Q&A.

Now I would like to hand over the call to Mr. Pankaj Bajaj for his opening remarks. Over to you, sir.

Pankaj Bajaj: Thank you, Abhishek. Hello, everyone. Thank you for joining us today on the earnings call to discuss our company's performance during the third quarter and nine months ended 31st December 2024.

I'm pleased to report that our company has continued to maintain its steady performance during this period. Much like the rest of the country, the Lucknow real estate market has seen an upsurge in demand with the shortage of fresh supply and launches. So this quarter, we were able to clock decent numbers in fresh bookings and also some fresh business development.

Moving to operational highlights. During the quarter, we received fresh bookings of about 2 lakh square feet and of INR 79.14 crores in value. Cumulatively, for the 9-month period ending 31st December 2023, the booking area stands at 3,22,831 square feet and of value INR 135.24 crores. This represents an increase of 114% from the equivalent 9-month period ending 31st December 2022.

During the quarter, we delivered 56,612 square feet to our customers. For the 9-month period ending 31st December 2023, this number is 1,53,158 square feet. We would be applying for completion certificates for two of our projects, Eldeco Imperia and Eldeco Twin Towers in the current quarter or in the first quarter of the coming financial year. And we know the future performance of the company depends on fresh business development and new launches.

Now turning our attention to our new launches. I'm happy to share that two of our major projects, Eldeco Trinity and Eldeco Imperia Phase II have received approval from the real estate regulatory authority that is RERA, according as formal permission to launch the projects and commence bookings. The physical work has commenced at both sites after receiving all the approvals. During the quarter, we opened the booking for Eldeco Imperia Phase II in the pre-launch stage. And received 101 bookings translating to 1,28,450 square feet.

I'm happy to report that subsequently, i.e., since January 1, 2024, the sales momentum in pricing in this project have picked up significantly. The details of which we will be able to share at the conclusion of this quarter.

In Eldeco Trinity, our high-end project at a premium location Lucknow, we are currently in the process of readying the site for launch. So even though we have RERA approval for commencement of bookings, we are delaying the launch probably to April this year so that we can present the proper customer experience to our client base.

Further, I'm pleased to announce addition of three new land parcels to our portfolio. All three are currently in the land aggregation stage. We hope to conclude the land assembly and aggregation in these projects over the next 6 months and move on to the planning and approval stage thereafter. Spanning the three locations we have acquired, an additional 38 acres of land during the third quarter, FY '24 aggregating to total land acquisition of 63 acres in the 9-month period ended 31st March 2023. This expansion shows a continued pipeline of projects after the launch of Eldeco Imperia Phase II and Eldeco Trinity.

Now moving on to our Q3 and 9 months FY '24 financial performance. The consolidated revenue from operations was INR 21.6 crores in the quarter 3 of financial year '24 compared to INR 30 crores in the quarter 3 of FY '23. During the 9-month period ended 31st December 2023, the revenue stood at INR 63.5 crores compared to INR 90 crores in the equivalent period of the previous year.

The recognized revenue in this period has been low as no major project has been completed in this period. As mentioned earlier, we hope to be able to apply for completion certificates for Eldeco Imperia Phase I and Eldeco Twin Towers in the coming months, which will lead to a bump up in the recognized revenue.

The consolidated EBITDA was at INR 9.3 crores in Q3 FY '24 compared to INR 12.2 crores in Q3 FY '23. EBITDA margin remains high at 42.9% in Q3 FY '24 compared to 40.7% in Q3 FY '23. The 9-month FY '24 EBITDA was at INR 24.5 crores compared to INR 3.1 crores in 9 months FY '23. EBITDA margin for 9 months FY '24 stood at 38.6% compared to 36.6% in the period 9-month FY '23.

So you can see there is a marginal improvement in our margins. The company's consolidated profit after tax stood at INR 8.1 crores in Q3 FY '24 as compared to INR 10.5 crores in Q3 FY '23. During 9 months FY '24, the PAT was INR 22.2 crores compared to INR 29.5 crores in the 9-month period ended 31st March 2022.

So that completes our financial review. With this, I would like to open the floor for questions, if there are any. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. We take the first question from the line of Abhishek Agarwal from Prithvi Finmart.

Abhishek Agarwal: Sir, my first question is, if you compare Lucknow to other cities, so how is the current demand scenario?

Pankaj Bajaj: It's the same everywhere. As I said in my opening remarks, there is an upsurge in housing demand everywhere in the country, and that includes metros and Tier 2 towns and Tier 3 towns. And there is a shortage of supply because of approval process, the land assembly and everything is taking time all over the country. So that's why you're finding a huge reduction in inventory over and everywhere. The same is the case in Lucknow, there's hardly any inventory, and there's a lot of demand.

So coupled with the general upcycle in the real estate industry, there's also the factor that Lucknow itself is developing very well as a city in terms of infrastructure as we've been emphasizing in the previous calls. And there's also the tailwind of the state of UP, which has turned the corner and doing quite well now. So these three factors, there is a countrywide upsurge real estate demand. There is something specific about UP and Lucknow. So all put together puts Lucknow in a very good place right now in terms of demand.

Abhishek Agarwal: Okay, sir. So in the last call, you follow to this. Okay. So on last call, you've said that there is demand supply gap. So now how the current situation as every player in Lucknow is facing the issue of slow approval. So are we able to meet the demand?

Pankaj Bajaj: No, we are not able to meet the demand. The demand is much more than what we can meet. So the current situation is as soon as you get all the approvals and you open your projects for bookings, it tends to get sold out, and that is happening all over the country, if you've been reading the newspapers and following the real estate market.

The same is the case in Lucknow. So in the current quarter, we did Imperia Phase II, and we had 100 bookings, which we closed and then we opened again in the current quarter, and the results I will share in the next phone call. Let me tell you for every 100 bookings are being opened for sale, there is demand for 200 right now.

Abhishek Agarwal: Okay. Great. And sir, last thing, can you give some light about the plan for FY '25? How many square feet are you planning to deliver or any booking guidance for FY '25?

Pankaj Bajaj: That Abhishek, I would not like to give because we depend on a number of external factors. So, I would like the demand is not an issue, as I said right now. But the supply, which is not simply a question of buying land, but getting approvals also which are beyond our control, the timeline of that. So I'm not going to put a number on how much approval we are going to get.

Definitely, I have shared for two projects, where we have all the approvals in place, which is Eldeco Imperia Phase II and Trinity. So definitely, I think we should get handsome booking there. But for the other projects, which are in our presentation listed under the forthcoming projects slides and our new land bank, I would not like to put a number there.

Moderator: The next question is from the line of Neha Sharma from Sharegiant.

Neha Sharma: So I have to ask a few questions. So, what is the average utilization for the quarter that has come down approximately to 4000 as compared to 4700? So, can you just explain the reasons behind the same?

Pankaj Bajaj: Yes, I think it has got a little to do with the test marketing in Imperia and also the mix of inventory that we sold. Manish, my colleague, I think, is there. I think he will give you more detailed insight into that. Manish, are you there?

Manish Jaiswal: Yes. So, the average came down because when we pre-launched Imperia, we decided to prelaunch with more of plots than villas. But I think in January, the quarter starting January, more of villas have also been released in the market and the average would significantly go up because more villas would also be sold down.

Neha Sharma: Okay. And one more question. So can you just provide an update on the approval part of the Trinity project?

Pankaj Bajaj: Trinity, I mentioned we have all the approvals now. And I mentioned in my opening remarks, even though we have all the approvals, we are not open sales because we are readying the site right now the sales galleries under development. So, we want to launch this project at a reasonably higher price point.

And we feel like the delay in the launch a couple of months is not so significant in the overall scheme of things, as long as we can present a good customer experience to the client base. So, I think the approvals are all there. Work has commenced at site. We are just readying the site experience for our customers. I think in March or April, we should be able to launch it.

Moderator: We will take the next question from the line of Poonam Mehta from Shah Investments.

Poonam Mehta: Given the kind of market Lucknow is in terms of land prices, going forward, what do you think more launches of high-rise apartments or townships which will be more prominent? And how are we seeing the demand preference in Lucknow?

- Pankaj Bajaj:** So traditionally, Eldeco has operated in both the segments, the horizontal township format as well as the vertical group housing segment. But going forward, I think that mix is going to go more towards group housing because simply because land assembly has become such a tedious process, and there's more acceptance of group housing as a format. So last year, I think our mix was 80%-20%, 80% was townships and 20% is group housing. But I think going forward, it may turn out to be 50%-50%.
- Poonam Mehta:** Okay, sir. And one more question, sir. Are we evaluating other opportunities in Raibareilly and Sitapur as well?
- Pankaj Bajaj:** No, not right now. If you've seen our presentation, we've done significant business development in Lucknow itself. So, this year, immediately, we have Imperia Phase II and Trinity coming up. And then we have three more projects lined up, where we have not disclosed the location yet because land aggregation is still going on.
- But I'm happy to report that all the land is approvable. It's zoned as residential, and it is contiguous. So, it may take time, but all these projects are going to come and significantly going to add to our top line and bottom line. So, we don't have a BD problem as of today.
- Moderator:** We take the next question from the line of Rohit Torati from Marshmallow Capital.
- Rohit Torati:** My first question is on the recent decision to shift our registered office to Haryana from UP. So, could we discuss that more, please? And given we are solely focused on Lucknow for now, keeping us in UP would make sense. So, could you explain the rationale for the shift, please?
- Pankaj Bajaj:** I think we explained it in our note, which is circulated. I've personally been in New Delhi. And top management, some of their corporate function from Delhi is simply an administrative decision. It's nothing to do with business strategy. It's just an administrative decision to keep the registered office in the NCR.
- Rohit Torati:** Okay. Understood. So, I mean, there is no intent or plan down the line for a reverse monitor or anything of that sort. Given the upturn in the cycle, I just thought it would be a good time if one had to look at that strategy.
- Pankaj Bajaj:** This suggestion has come many times, we continue to evaluate it. We will definitely share with you if there's anything concrete and immediate to share.
- Rohit Torati:** And my last question for now is, I mean, we've given an indication of how the launches look in Phase II launch in Imperia. Then we have Trinity coming very soon, is there a plan for launch. Is there a broad outline or plan for launch for the next financial year that you have?
- Pankaj Bajaj:** So we have shared this in our investor presentation, in which we have forthcoming projects and land bank also. So apart from these two, definitely -- so the land aggregation itself is going to -- I think we'll conclude it in the next 4 to 5 months. And then we are going to move to the approval sales. So hopefully, by the end of the next year, we should have, apart from Imperia 2 and Trinity, we should have launched another couple of projects.

- Rohit Torati:** Okay. So, you mean to say, apart from Imperia 2 and Trinity in the next financial year?
- Pankaj Bajaj:** Two more. yes.
- Rohit Torati:** Two new projects.
- Pankaj Bajaj:** Yes, yes, yes.
- Rohit Torati:** Okay, okay. And as of now, even next year or next 2-3 years, we're looking only at Lucknow, and nothing -- nowhere else? Is that right?
- Pankaj Bajaj:** See, right now, our land banks are all in Lucknow. So, we can only see for what is -- we can't see for intent, but what is in hand is only Lucknow right now. And there's even if we just continue to focus on simply what we have and don't do any fresh business development, the company side is going to increase significantly over the next couple of years.
- You don't have to -- we just have to multiply our average utilization and see our land banks and our forthcoming projects. There is enough business for the next 3-4 years in Lucknow itself. It is not to say that we may not look outside, but as of now, our business is only there.
- Rohit Torati:** Perfect. Thank you so much. It's always nice listening to your answers on the call.
- Pankaj Bajaj:** Thank you. Thank you.
- Moderator:** Thank you, sir. The next question is from the line of Priyank Gupta from Guardian Advisors Private Limited. Please go ahead. Mr. Priyank, your line is in the talk mode, sir. Please go ahead with your question. As there's no response from the current questionnaire, we'll move on to the next question. The next question is from the line of Khushi Sarad, an Individual Investor.
- Khushi Sarad:** My question is, the UP government has designated specific land parcels along with the Lucknow-Gorakhpur highway because of the high demand in Ayodhya's real estate sector. And also, the property prices have risen by 5 to 10 times after the construction of Ram Mandir. So, are we evaluating these opportunities and planning to expand our reach with substantial growth potential in the upcoming years?
- Pankaj Bajaj:** So, we are aware of what has happened in the Ayodhya real estate market. But Khushi, right now, the upsurge is mostly for hotel industry and not for residential demand is not there.. The residential demand is second function demand. Once the – what is expected is that a lot of religious tourism is going to happen in Ayodhya. So for that, you immediately need a lot of hotel inventory and a lot of hotel companies have gone there. We are not in the hotel business as of now.
- But in due course of time, if this continues, this trend continues, a lot of local employment and local wealth is going to get generated and will lead to second-level demand of other classes in the real estate like commercial, like retail, like residential.

For us, it's a little premature, but we're watching it. Let there be a sustained influx of tourism and local wealth generation and employment job generation, and that's when I think our job comes. For us, it's a little premature.

What there could be an immediate demand for second homes, some developers have launched second home there for people who live primarily somewhere else but would like to have a house maybe or a studio apartment in a holy city. But that, again, we feel that two-four concept is not there yet. So we would not like to listen just because of the flavor of the season at the moment. We are watching it.

Moderator: The next question is from the line of Manan Patel, an Individual Investor.

Manan Patel: Congratulation for launch of Imperia Phase II and the business performance. The question is, in a few calls, you have mentioned that the land prices have also increased sharply, and the landowners have demanded higher prices. So in this kind of scenario, given we have a very strong margin profile but in increasing land price scenario as well as the change in product mix that you mentioned earlier in the call, do we expect to maintain or improve margin? What is your view on that?

Pankaj Bajaj: So as of now, our margins are not under pressure because along with the increase in land prices, I mentioned that there is a huge demand, actual demand of end users who want a good quality housing and there is not enough supply. So, once we are able to pass on increased land prices and increased input prices to our end market and protect our margin. So, we are not seeing any margin pressure as of now.

The market is taking price increases in its side. We are not facing any -- at some point, it is going to resist. But as of now, the end product prices are increased in tandem with the raw material prices. My raw material I mean raw land. So, the margins are protected as of now.

Manan Patel: Understood.

Pankaj Bajaj: In fact, if you look at our quarter 4, our margins have increased.

Manan Patel: Right.

Pankaj Bajaj: Yes.

Manan Patel: Right. Understood. And sir, last question is we have had substantial land acquisition in this quarter. So, we have -- I understand we have tied up for the funding of a couple of projects as well. So, do we have enough balance sheet strength to fund more land purchases going forward?

Pankaj Bajaj: We do have balance sheet strength as of -- so our total debt at the moment, which is disbursed, is about INR 80 crores. And our debt equity ratio would be about 0.3 or something. Other than taking debt, one can always partner at SPV level with the PE funds who are also keen to enter UP and Lucknow. For a long time, nobody wanted to invest in Lucknow. But we're seeing a lot of appetite from private equity funds, from AIF to invest. So, one can partner there also.

So access to capital and capital raising, I don't think we're constrained by balance sheet. We are only constrained by availability of good land parcels at reasonable prices where we feel like we can launch reasonable products at reasonable prices at the moment. So, balance sheet is not a constraint at the moment.

Manan Patel: Understood. And sir, the last question is, so the remaining area that has to be sold in Imperia Phase I, is it all related to EWS part of the project?

Pankaj Bajaj: No, no, no. It is not all EWS. So, in any projects as part of the government policy, you -- one has to mortgage a certain part of the project to the government bodies to ensure as a security for timely completion of the project.

Once the project receives completion certificate, that mortgage area is released by the government -- local government agency for sale in the free market. So, all the unsold area that you see is not EWS, part of it is EWS, part of it is the area which has been mortgaged and will be released shortly.

Manan Patel: And so when you receive CC and you deliver the project, you will be able to sell that project in the market?

Pankaj Bajaj: Yes, that's right.

Manan Patel: Got it, sir. Thanks a lot and wish you all the best.

Pankaj Bajaj: Thank you.

Moderator: Thank you. sir. The next question from the line of Priyam Shah, an Individual Investor.

Priyam Shah: Sir thanks for the opportunity. I just have one question. So, in your presentation you mentioned that you have some land which is kept aside for the forthcoming projects, which is in the planning on the unserved location to the tune of 60.3 acres. So, when shall we see some visibility in this? I believe this is a resignation property that we are exploring. When shall this visibility be arrived? It would be coming from the next financial year or how about?

Pankaj Bajaj: I think I've already answered this question twice, but I'll repeat again. These locations are still - - we are still expanding our landholding there. The aggregation is still going on. And we hope to increase the 60.3 acres to some numbers, which would be closer to 100 acres.

But the thing we are very careful about is not to invest in non-contiguous land. So we're not able to expand contiguously, then we are going to stop. Otherwise, this number is going to much higher. We expect the land aggregation stage to get over in 4 to 5 months or maybe 6 months.

And thereafter, it will go into the planning and approval stage, which will take another 5 to 6 months. If all goes well, depending on what kind of aggregation we're doing, then maybe towards the end of current calendar year, not financial year. So, by December, I think it could be -- 1 or 2 of these projects might get launched. Maximum they might get launched by March. So we hope that at least two of these new projects might get launched in the December to March period.

- Priyam Shah:** Okay, okay. Thank you so much, sir.
- Moderator:** Thank you, sir. We take the next question from the line of Kush Gangar from Care PMS.
- Kush Gangar:** By when do you expect completion certificate for Eldeco Imperia Phase I and Twin Tower?
- Pankaj Bajaj:** We have already applied in Imperia Phase I. So, it's going to the government process does take its time. If all goes well, it may happen in March itself. If not in March, then in April, I can't really put a timeline to it, it can be 35 days, it can be 65 days. But -- definitely before June, Imperia's going to come and Twin Towers, our internal plan is to apply for completion certificate around May. If we apply in May, maybe we'll get it in June or maybe it comes in July. I can't really put a number, but that's the overall time period. In the next 4 to 5 months, both of them should come.
- Kush Gangar:** And what was our realization excluding Imperia Phase II launch, if you can -- if you have that figure, if you can just tell us, average realization?
- Pankaj Bajaj:** Manish should have that number. Manish, can you share that?
- Manish Jaiswal:** Yes, sure. In Imperia Phase II, the average realization was 3,500 for the prelaunch phase. But this should go up significantly as we release more villa inventory and as we increase more price in this quarter for the inventory that is being sold now.
- Kush Gangar:** No, my question was excluding Phase II, what was the realization?
- Pankaj Bajaj:** You mean for Phase I?
- Kush Gangar:** No. For all the other projects.
- Pankaj Bajaj:** Manish, he's asking about Eldeco realization for -- in the quarter other than Imperia Phase II.
- Kush Gangar:** Yes. So was the realization under pressure, excluding Phase II overall or it was stagnant or grew that is what I'm asking.
- Manish Jaiswal:** So it was quite decent. In that INR 79.14 crores worth of inventory that we have sold in the quarter. INR 44 crores is from Imperia Phase II. So, if I remove that, I think INR 25 crores is from Latitude 27. And for that, the average realization is 5,100 square feet. Between Twin Tower and Imperia Phase I villas, we have another INR 7-8 crores, for which the average realization is INR 4,600-4,700 per square feet. So, for rest of the inventory, the -- to answer your question, the rest of the inventory, the realization is in line with what we have been achieving on regular basis.
- Moderator:** The next question is from the line of Manan Patel, an Individual Investor.
- Manan Patel:** Sir, I just wanted to understand from the slide 13, ongoing projects. For example, Eldeco Imperia Phase I has 7.4 lakh square feet of project area and saleable area is around 3 lakh square feet. So do we expect the balance to be launched going forward? Or how is it -- how is that -- how to raise that number?

- Pankaj Bajaj:** Manish, I don't have a slide with me. Can you take it?
- Manish Jaiswal:** Yes. So, 7,40,000 square feet is the land area. But typically, in the whole of land area, around 40% to 45% plotted area comes out as the saleable area, which is why you see saleable as 3,05,000 square feet.
- Manan Patel:** Understood. Thank you.
- Moderator:** Thank you, sir. As there no further questions, I would now like to hand the conference over to Mr. Pankaj Bajaj for closing comments.
- Pankaj Bajaj:** Thank you all for coming today and for your continued support. We hope that we give you good numbers in the coming quarters. We are very confident that we will. So have a good day and thank you for your interest in the company.
- Moderator:** Thank you. On behalf of Eldeco Housing and Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.